



Falling Off The Cliff

Transportation Funding In Missouri



Falling Off The Cliff

When Transportation Funding Hits Rock Bottom

“If we do not have a new revenue stream in place by 2010, we go over the cliff.

That puts us back in a place where our highway system is deteriorating.” -

*Missouri Department of
Transportation Director
Pete Rahn, June 28, 2007*



The Ascent

In 2004, Missouri voters approved Amendment 3 by an almost four-to-one margin. That move redirected some highway user fees to road construction and improvements. With this additional funding, the Missouri Department of Transportation has been able to tackle a record amount of highway construction projects – about \$3 billion worth in the past three years.

MoDOT has used the extra funding to improve Missouri’s deteriorating highways in three ways:

- Making 2,200 miles of the state’s busiest highways smoother and safer in two years under the Smooth Roads Initiative;





- Accelerating key projects – some by two to three years; and
- Tackling \$1.6 billion worth of much needed new construction.

The Results

- Missouri has gone from having the third worst pavement on major roads to an estimated ninth best.
- Seventy-eight percent of the state's major roads are now in good condition.
- Missouri jumped from 28th to 17th in overall performance of the state highway system from 2004 to 2005 and from 39th to 17th in overall performance from 2000 to 2005. These figures are from a Reason Foundation report that also showed the state had the third lowest administrative costs per mile.
- The Show Me State recorded the largest drop in traffic-related fatalities of any state in the nation in 2006.
- Customer satisfaction with MoDOT rose to 79 percent in 2006.
- The Excellence in Missouri Foundation presented MoDOT with the 2007 Missouri Quality Award.

“As a result of a recent increase in highway transportation funding, Missouri has been able to address many needed projects to improve road and bridge conditions, enhance highway safety and ease congestion.”

- *TRIP Report, June 2007*

Not too long ago, the Missouri Department of Transportation (MoDOT) and its governing body – the Missouri Highways and Transportation Commission – were taking much criticism for failing to complete its plan for highway improvements. In fairness, we now must credit the commission and agency for pulling out of that tailspin. The best way to restore credibility is with action, not talk, and the department has done precisely that.”

- *Jefferson City News Tribune editorial, January 2007*

At The Pinnacle

The construction boom of the past few years might suggest all is well with transportation in Missouri. Unfortunately, that's not the case. Three negative factors are coming together to cause a "perfect storm" to take shape for the funding of Missouri's critical highways:

1 Amendment 3 bonding – With the passage of Amendment 3 in 2004, voters directed MoDOT to use the new revenue to issue bonds for construction in order to fix Missouri's roads fast. Now, future revenues will go to repay the bonds. State funds available for highway maintenance and construction will return to pre-Amendment 3 levels. This level of investment was inadequate then and will be inadequate in 2010.

2 Lagging federal revenue – In 2010, aid from the Federal Highway Trust Fund, which provides funding to state highway, bridge and safety programs, is expected to drop 40 percent. The nation will go from a \$41 billion federal highway program to a \$25 billion program. Missouri's portion of federal aid is expected to drop from \$927 million annually to \$568 million annually.

3 Increasing construction, maintenance and fuel costs – The purchasing power of the dollars MoDOT receives continues to shrink because of the increasing price of doing business. For example, since 1997 state revenue for roads and bridges has grown 36 percent. At the same time, asphalt prices rose 97 percent

- almost three times as much. Concrete has risen 48 percent. Steel has increased 57 percent. And fuel to mow right of way and move dirt has increased an incredible 204 percent.



The Fall

The combination of these three factors – Amendment 3 bond proceeds running out, declining federal aid and rising costs - will cause the amount of money we spend on roads and bridges to fall off a cliff beginning in 2010. In 2008, our construction program will total \$1.23 billion. **By 2010, funding for annual construction will fall to \$569 million.** That means we'll barely be able to maintain our highways, much less address congestion and safety or enhance economic development.

Furthermore, we estimate needing an additional investment of \$300 million to \$500 million over the next 10 years to repair or replace 203 of our aging, major bridges throughout the state. Major bridges are those more than 1,000 feet long. There are 203 of them in the state, 53 of which span either the Missouri or Mississippi rivers. On average they're 33 years old and carry 21,000 vehicles a day. With an additional \$300 million to \$500 million, we could bring all of our major bridges up to satisfactory condition or better.

Over the next 20 years, we project we'll need more than \$37 billion to meet Missouri's most critical transportation needs. The bad news is we will have only \$19 billion to invest - a gap of \$18 billion not including inflation. This gap in what we have and what we have to do seems daunting, but it's not impossible to close.

Construction Program

2008



\$1.23 Billion

2010



\$569 Million

Closing the Gap

So what is being done to address this funding shortfall? MoDOT is continuing to bring projects in on time and within budget. The construction contracts awarded in fiscal year 2007 came in 7.4 percent under budget - a \$90 million savings. Since 2003, \$5.5 billion worth of projects have been completed within less than one-tenth of one percent of the budgeted amount.

Examples of Radical Cost Control Measures

Practical Design - Projects are designed to fit specific needs, without the frills. Over the past three years Practical Design has saved nearly \$500 million that has been reinvested in additional improvements.

Keeping bids low - Bids that are too high are bid again. Sixty-seven projects worth \$234 million were re-bid in the past two years, saving \$27.2 million.

Road closings - When practical, roads are shut down if it means getting the project done quickly and saving money. MoDOT has closed 136 roads over the past two years, trimming costs and completing those projects an average of 30 percent faster.

Contractor innovation - MoDOT asks highway contractors to propose innovative solutions, such as using alternate materials, coming up with improved designs and working off-hours. Last year, this effort saved \$3.7 million on 17 projects.

Managing administrative costs - Over the past several years, MoDOT has kept direct administrative costs to only two percent of its annual budget.

Still, these long-term cost control efforts will not be enough to bridge the funding gap and address Missouri's long-range transportation needs.

It's up to the General Assembly to decide how to fund transportation.

It's up to MoDOT to continue to be good stewards of Missourians' money.

It's up to the voters to decide if they want to invest in their children and grandchildren's future through the foundation of our modern economy . . . transportation.

Climbing Back Up the Mountain

Federal and state fuel taxes are the primary source of transportation funding. The first state fuel tax rate was 2 cents per gallon, established in 1924. The state fuel tax was last raised in 1996 to its current rate of 17 cents. The 18.4-cent-a-gallon federal fuel tax has not increased in 15 years.

Funding Options Annual Yield

One-cent motor fuel tax increase	\$41.5 million
One percent motor fuel sales tax	\$72.5 million
One percent general sales tax increase	\$700 million
One percent motor vehicle sales tax increase	\$69.7 million
One percent motor vehicle use tax	\$11.2 million
\$5 motor vehicle license fee increase	\$15.8 million
\$2 driver's license fee increase	\$1.8 million

Estimated Highway Construction Costs

Estimated cost to build a mile of major highway	\$4 – \$12 million
Estimated cost to rebuild Interstate 70	\$3.1 billion
Estimated cost to rebuild Interstate 44	\$4.1 billion

20-Year Project Needs

Road and bridge construction	\$16.3 billion
Highway maintenance	\$11.8 billion
Bridge maintenance	\$3.5 billion
Public transportation, aviation, ports and rail	\$5.7 billion
Total	\$37.3 billion

Project needs over 20 years	\$37.3 billion
Projected revenue over 20 years	\$19 billion
Funding gap over 20 years	\$18.3 billion

Keep Improving Missouri's Roads **Kansas City Star**

July 5, 2007

... today's snapshot on the state's highways is no assurance that things will continue to improve in the future. Officials warn that in 2010, available revenue in Missouri will drop to \$570 million, down from this year's \$1.2 billion. Lawmakers should begin work now to ensure that the state's road network doesn't begin to deteriorate once again.

Highway Money -- How Long Will We Do Nothing?

Columbia Daily Tribune

May 17, 2007

In the next 20 years current revenue streams will produce about \$19 billion, but estimated needs come to \$37 billion, probably an overly conservative figure . . . Missouri needs substantially more public transportation funding than anything visible on the horizon . . . Missouri highways must receive more financial support, and tax increases will be necessary.

Dialogue On Roads Opens Up **Springfield News-Leader**

June 17, 2007

Momentum is building for Missouri to do something about its roads . . . We do have a problem. Our funding sources aren't keeping up with basic maintenance needs. And eventually the bill will become due from the passage of Amendment 3 in 2004. The overwhelming passage of that amendment -- which redirected some money from the state budget back to highways -- should be telling. It said that Missouri voters care about their roads, and they want to do something to make them better . . . It's time to plan ahead so that today's potholes don't become tomorrow's crumbled highways.



Missouri Department of
Transportation

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